

BANK INDONESIA

No.10/46/DInt

Jakarta, 22 December 2008

CIRCULAR LETTER

To:

ALL NON BANK CORPORATIONS IN INDONESIA

Subject : Offshore Loan of Non Bank Corporations

In relation to the issuance of Bank Indonesia Regulation Number 10/7/PBI/2008 dated February 19, 2008 concerning Offshore Loan of Non Bank Corporations (State Gazette of the Republic of Indonesia Number 33 of 2008, Supplement to the State Gazette of the Republic of Indonesia Number 4821 of 2008), it is deemed needed to regulate its implementing regulation in a Circular Letter of Bank Indonesia as follows:

I. GENERAL PROVISIONS

A. DEFINITIONS

In this Circular Letter, what is meant by:

1. A Non Bank Corporation Offshore loan, hereinafter shall be referred to as a Corporation's OL, is all forms of corporations' loan from non-residents in foreign exchange as well as rupiah, foreign exchange securities issued by the corporations and other obligations to non-resident in a foreign exchange as well as rupiah, including those which were made under the *syariah* principle.
2. *Syariah* Principle is the principles based on Islam taught of which determined by the National *Syariah* Board of the *Majelis Ulama Indonesia*.
3. Non Bank Corporations, further to be referred to as Corporations are:
 - a. State-Owned Enterprises (BUMN),
 - b. Regional-Owned Enterprises (BUMD),
 - c. Private-Owned Corporations (BUMS) which covers:
 - 1) Public corporations,
 - 2) *Emiten*,
 - 3) Foreign Investment Companies,

- 4) Other BUMS with assets or gross sales during one year of at least Rp.100,000,000,000.00 (one hundred billion rupiah).
4. State-Owned Enterprises, which further shall be referred to as BUMN, are business entities as regulated in the prevailing laws and regulations concerning State-Owned Enterprises.
5. Regional-Owned Enterprises, which further shall be referred to as BUMD, are business entities as regulated in the prevailing laws and regulations concerning Regional-Owned Enterprises.
6. Public Companies are limited liabilities companies with a certain number of shareholders and paid up capital as regulated in the prevailing laws and regulations concerning Capital Market.
7. *Emiten* are parties who have made public offering as regulated in the prevailing laws and regulations concerning Capital Market.
8. A Foreign Capital Investment Company is a company with at least 10% (ten percent) shares is owned by Non-Resident.

9. Non-Residents are persons, legal entities or other bodies not residing in Indonesia or who do not plan to reside in Indonesia.
10. Creditor or Fund Provider is a person, a legal entity or other body extending a loan or providing funds or who may be treated similar to such, to a company for a certain period under the agreed terms and conditions.
11. A Short-Term OL is a Corporation's OL with a period of up to 1 (one) year, whether directly from a creditor or financial market or indirectly through another party who is an affiliate or non affiliate.
12. Long-Term OL is a Corporation's OL with a period of more than 1 (one) year, whether directly from the creditor or financial market or indirectly through another party who is an affiliate or non affiliate.
13. Other Party Affiliation is Other Party who has capital or share ownership relation to the Corporations of at least 10% (ten percent) or included in one group.
14. Other Party Non Affiliation is Other Party who has no capital or share ownership relation to the Corporations of less than 10% (ten percent) or not included in one group.

15. Year is a calendar year commencing from January to December.

B. SCOPE

Corporations' OL covers:

1. Debt in Rupiah or foreign exchange which is granted under a Loan Agreement with Non-Resident.
Loan Agreement in foreign exchange which is made based on a loan agreement with a resident is not included in the scope of Corporation's OL.
2. Debt securities in foreign exchange issued in international financial market through public offering.
3. Debt securities in Rupiah as well as foreign exchange issued through private placement to Non-Resident.
4. Debt securities in foreign exchange issued in domestic financial market through public offering.
5. Debt securities in foreign exchange issued through private placement to Residents.
6. Other obligations to Non-Resident whether in foreign exchange as well as in rupiah other than Corporations' OL as stated in number 1 until number 5.

What is meant by other obligations covers among others subordinate loan and similar types which are recorded as part of the components of capital.

Obligations in the form of trade receivables and rents are not included in the scope of the Corporations OL.

Form of obligations and debt securities as stated in number 1 until number 6 which are performed based on the Syariah Principles are included in these types of Corporations' OL.

Debt securities as specified in numbers 2, 3, 4, and 5 are considered as Corporations' OL upon their issuance.

C. GENERAL PRINCIPLES

1. A Company shall conduct a short-term as well as a long-term OL in accordance with the prevailing Laws and Regulations.
2. Due diligence principle
 - a. Implementation of Risk Management Function
 - 1) Corporation who will obtain a short-term as well as a long-term Corporations' OL, must adopt risk

management function which covers the management of:

a) Market Risk

Market Risk is the risk of exchange rate and the risk of interest rate.

Example of managing this risk can be done among others by:

- (1) calculating the impact of movement of exchange rate and interest rate against the changes in the amount of loan and the ability to re-pay; and/or
- (2) conducting hedging.

b) Credit Risk

Credit Risk is a risk of inability to repay the entire or part of the obligation in due time.

Types of Credit Risk among others are the inability to repay all or part of the obligations, among others principal, interest, penalty and/or other related costs.

Example of managing this risk can be done among others by adjusting the period of borrowing with the period of its use.

c) Liquidity Risk

Liquidity Risk is a risk of unavailability of fund required to repay full obligation at due date and to finance operating activities.

Examples to manage this risk may be done among others by:

- (1) managing the cash flow;
- (2) preparing a contingency plan and a fund source of loan; and
- (3) taking into account the reputation of the creditor or fund provider in the event of counter funding from other creditor.

2) In the framework of applying the risk management function, a Corporation in conducting the Corporation's OL may observe the indicators issued by Bank Indonesia, namely:

- a) Micro indicators are indicators which are used in applying the principles of due diligence in

managing the Corporation's OL, issued in the form of indicator table i.e. Financial Ratio Indicators by Economic Sectors, i.e. indicators of financial ratio for each economic sectors such as:

- (1) Agriculture;
- (2) Mining;
- (3) Basic and Chemistry Industry;
- (4) Variety of Industries;
- (5) Consumer Goods;
- (6) Property and Real Estate;
- (7) Infrastructure, Utilities and Transportation;
- (8) Non Bank Financial;
- (9) Trade, Services and Investment

formulated in the form of average or range of financial risk index both long and short terms, with an example as specified in attachment h.

- b) Macro indicators are indicators used in applying the principles of due diligence on the exposure of the Corporation's OL in macro scale (national) particularly from the monetary perspective

formulated in the form of debt indicator ratio, covering among others:

- (1) Private external debt to total external debt
- (2) Debt to Gross Domestic Product

with an example of the table as specified in attachment 1.

- 3) The macro and micro indicators as specified in point 2 will be published by Bank Indonesia through among other email and/or website of the Bank Indonesia – Investor Relation Unit.

b. Rating valuation

Rating valuation is the valuation of the corporation's credit rating performed by national and/or international rating agencies which describe the ability and willingness of the Corporation to pay its financial obligation in accordance with the required terms and conditions.

A Corporation which plans to conduct a Long-Term Corporation's OL must acquire a corporation's credit rating from national and/or international rating agencies.

Rating agencies that can be used are all rating agencies whether located domestically or abroad without any certain criteria.

The obligation to have a Corporation's credit rating as specified above is not applied to:

- 1) BUMS acquiring Corporation's OL directly from its parent company (shareholder).

A parent company (shareholder) is the parent company as stipulated in the prevailing provisions concerning Report of Foreign Exchange Activities by Non Financial Institution Corporations, excluding:

- a) Corporations having OL from other corporations abroad yet included in one group of company (sister company).
 - b) Corporations that issue debt securities in the financial market through Special Purpose Vehicle (SPV).
- 2) BUMN and BUMD with assets or gross sales during 1 (one) year of less than Rp.100,000,000,000.00 (one hundred billion rupiah).

3. Reporting Obligation

a. The Corporations obliged to submit a report to Bank Indonesia correctly and comprehensively, i.e.:

1) A Company that plans to obtain a Long-Term Corporation's OL, covering:

- a) Financial Ratio;
- b) Financial Report;
- c) Corporation's rating;
- d) Report of the Corporation's OL plan for 1 (one) year; and
- e) Analysis result of the corporation's risk management.

2) A Company who has a Short and/or Long Term Corporation's OL position, covering:

- a) Financial ratio;
- b) Financial report.

In the event the financial reports as specified in point 1) letter b) and point 2) letter b) are audited financial reports, names of the auditor must be stated.

In the event the said financial reports have not yet been audited, or are in the process of being audited, then please specify the name of the auditors.

- b. Other BUMS experiencing a decline in total asset or gross sales so that less than Rp.100,000,000,000.00 (one hundred billion rupiah), are still obliged to submit financial ratio report and financial report so long they still have Corporations' OL outstanding.
- c. Other BUMS that are in the process of planning a Corporation's OL:
 - 1) having a total asset or gross sales of less than Rp.100,000,000,000.00 (one hundred billion rupiah), but experiencing an increase of total asset or gross sales of Rp.100,000,000,000.00 (one hundred billion rupiah) or more on the basis of the latest position of the financial report, and/or
 - 2) turning its status into BUMN, BUMD, Public Company BUMS, BUMS Emiten or Foreign Investment Company BUMS

are obliged to submit financial ratio reports and financial reports as long as they still have outstanding Corporation's OLs.

II. REPORT

A. Types of report

Corporation's OL reports cover:

1. Corporation's Financial Ratio, containing information and data comprising of:
 - a. Types of Ratio, consist of:
 - 1) Liquidity Ratio, comprising of:
 - a) Current Ratio, a ratio that shows the ability of current assets owned by the Corporation to settle short-term obligations.
 - b) Quick Ratio, a ratio that shows the ability of the most current assets owned by the Corporation to settle short-term obligations.
 - 2) Solvability Ratio, comprising of:
 - a) Debt to Equity Ratio, a ratio that shows the capital structure of the Corporation, against its obligations.
 - b) Long-Term Debt to Equity Ratio, a ratio that shows the capital structure of the Company, against its long-term obligations.
 - 3) Profitability Ratio, consisting of:
 - a) Net Profit Margin, a ratio that shows the contribution of sales against net profit yielded.

- b) Return on Equity, a ratio that shows the rate of return by the management on the capital invested by the shareholders.
 - c) Return on Asset, the ratio that shows the rate of earning by the management on the total assets owned.
- 2. The Corporation's Financial Report, contains information and data concerning:
 - a. Balance sheet presented at the end of the previous year and the end of the first semester of the current year in accordance with the generally accepted accounting standard, by enclosing the detailed postings of assets and liabilities in Rupiah or foreign currency denomination.
 - b. Profit and Loss Statement presented at the end of the previous year and the end of the first semester of the current year in accordance with the generally accepted accounting standard, by enclosing the detailed postings of earnings and liabilities in Rupiah or foreign currency denomination
- 3. Ratings, containing information and data concerning:

- a. Domestic or international rating bodies.
 - b. Previous rating, i.e. a rating given by the rating agency for the previous year, consisting of:
 - 1) A rating given by the Rating Agency to the Corporation (in notches).
 - 2) Date of publishing the rating.
 - c. The latest rating, i.e. the latest rating given by the rating agencies to the Corporation, consisting of:
 - 1) A rating given by the Rating Agencies to the Corporation (in notches).
 - 2) Date of publishing the rating.
 - d. Outlook (prospect), future prediction of the Corporation's rating, consisting of:
 - 1) A rating given by the Rating Agency to the Corporation, i.e. positive, stable or negative; and
 - 2) The date publishing the outlook.

In case the Corporation has no Rating, it shall provide sufficient reason.
4. Report of Long-Term Corporation's OL Plan for the next 1 (one) year, containing information and data concerning:
- a. Nominal, i.e. the acquired plan of the Corporation's OL;

- b. Purpose of utilization, i.e. the purpose of using the loan by the Company, among others, for business expansion, working capital and refinancing;
- c. Creditor/Fund Provider, i.e. the grantor of the Company's OL can either Banks or Non Bank Financial Institutions, Non Bank Financial Institutions as well Financial Market;
- d. Types of Company's OL may be in the form of:
 - 1) Loan Agreement by means of bilateral or syndication whether in Rupiah or foreign currency with non-resident;
 - 2) Debt securities in foreign currency issued in domestic as well as foreign financial markets through public offerings or private placements to residents or non-residents; or
 - 3) Other obligations, covering among others subordinated loans and similar types recorded as part of the capital components.
- e. Time of entering the market, i.e. date, month and year:
 - 1) Upon the signing for the type of Loan Agreement;
 - 2) Upon the issuance of debt securities.

- f. Period of time, i.e.:
 - 1) The time period for a loan agreement is the period of loan from its commencement until the expiration of the loan as stated in the Loan Agreement.
 - 2) The period for debt securities is since the public offering until the due date;
- g. Types of currency, i.e. denomination of the Company's OL can be Rupiah, USD or other foreign currencies.
- h. Location of issuance, i.e. the place of issuance for the Company's OL of debt securities;
- i. Source of repayment, i.e. the source to repay the Company's OL, can be in the form of foreign currency from proceed export earnings, foreign currency from proceed domestic sales earnings, domestic refinancing of foreign currency, offshore foreign currency debt instrument, purchase of foreign currency from the money market;
- j. Indicative interest rate, i.e. the interest rate projection of Company's OL at the time it plans to enter the market, e.g. 5% to 7% p.a. or Libor + 200 bps; and

- k. Others, are other matters which are not covered in point a until j, for example, among others, information of Company's Short-Term OL.
- 5. The result of the company's risk management analysis, containing information and data concerning:
 - a. Market Risk;
 - b. Credit Risk; and
 - c. Liquidity Risk.
- 6. Report on the change of plan for the Company's Long Term OL, in case there is a change of plan on the nominal and the purpose of the use of the Company's Long-Term OL, by stating the changes and the reasons for the said changes; and
- 7. Report on the changes of the result of the Company's risk management analysis, by stating the changes and the reasons for the said change.

B. Report Format

The report as specified in point A.1 until A.7 is composed in accordance with the form of the report determined by Bank Indonesia as specified in Attachments a, b, c, d, e, f, and g.

C. Procedure for Submission of the Report

1. The submission of the report as specified in point A.1 until A.7 is conducted as follows:
 - a. For the reporting Companies whose head offices domicile in Indonesia, the reports are submitted by the head offices and shall comprise of the consolidation of the Company's OL of the head office and other offices domiciled in Indonesia.
 - b. For the reporting Companies whose head offices domiciled outside Indonesia, the reports can be submitted by the coordinating offices of the reporting Companies or each office of the reporting Companies domiciled in Indonesia.
2. The submission of reports as specified in point A.1 until A.7 can be made:
 - a. in the form of hardcopy and/or softcopy or other media to:

Bank Indonesia

International Directorate c.q.

External Debt Administration and Publication

Department (PPLN)

Sjafrudin Prawiranegara Tower, 5th Floor,
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Jakarta 10350

Facsimile number: (021) 2311936, (021) 3502002

Email: APLNSIUL@bi.go.id

- b. The mechanism of submission of report by other media will be notified further by Bank Indonesia.
3. Time limits to submit reports to Bank Indonesia are as follows:
- a. Reports as specified in point II.A.1 and II.A.2 including their revisions are submitted for each semester, at the latest on April 10 and September 10 or the following business day if the said date is a public holiday.
 - b. Reports as stated in point II.A.3, II.A.4 and II.A.5 including their revisions are submitted at the latest on March 10 on the respective year or the following business day if the said date is a public holiday.
 - c. Report on the change of plan as specified in point II.A.6 and II.A.7 are submitted at the latest on July 1 of the respective year or the following business day if the said date is a public holiday.

4. A Company is considered not submitting its reports as specified in points II.A.1 until II.A.7 in the event the reports are not received by Bank Indonesia 30 calendar days after the time limits determined and/or the reports are received by Bank Indonesia within the time limits determined but they are incomplete as specified in point I.C.3.a.
5. The Board of Directors of the Company is responsible for the correctness of the reports submitted to Bank Indonesia as specified in points II.A.1 until II.A.7.

The provisions of this Circular Letter become effective on December 22, 2008.

For the public to be informed, it is ordered that this Circular Letter of Bank Indonesia be promulgated in the State Gazette of the Republic of Indonesia.

Kindly be informed.

BANK INDONESIA

(signed)

NELSON TAMPUBOLON

INTERNATIONAL DIRECTOR